



State of Utah

Department of Natural Resources

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Executive Director

Division of Oil, Gas & Mining

LOWELL P. BRAXTON
Division Director

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Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

July 6, 2004

CERTIFIED RETURN RECEIPT
7099 3400 0016 8896 0792

Mark Carter
MMG Mining
3655 Lupin Way
St. George, Utah 84790

Subject: Results of Compliance Conference, MMG Mining, Bald Knoll Mine,
S/025/012, Kane County, Utah

Dear Mr. Carter :

As requested on May 12, 2004, a site inspection (compliance conference) was performed June 9, 2004, which confirmed that small mining operations have been conducted outside of the approved five acre permit area (copy of inspection memo attached).

This letter provides formal notice that mining operations at the Bald Knoll Mine, located in Kane County, Utah, are being conducted in violation of the Utah Mined Land Reclamation Act, 40-801 et. seq. (Act) and the Minerals Reclamation Program Rules, sections R647-1 through R647-5.

Findings of Compliance Conference

1. MMG Mining has expanded their mining operations beyond the five acres allowed for a small mining operation, by an additional 2.56 acres. Rule R647-3-113 requires an operator to file a Notice of Intention to Conduct Large Mining Operations (FORM MR-LMO), and receive Division approval before enlarging a small mining operation beyond five (5) acres of surface disturbance. To date, MMG Mining has failed to file a LMO application to expand onto this additional acreage.
2. Rule R647-4-113 requires an operator to post surety with the Division to ensure adequate reclamation is performed, before mining-related disturbances are created. To date, MMG Mining has not filed adequate reclamation surety to cover the reclamation liability for the 7.56 acres.

MMG Mining presently has a \$4,000.00 reclamation surety held by the School and Institutional Trust Lands Administration (SITLA) to reclaim two acres of

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mining related disturbance at the MMG Mine. The additional 5.56 acres of disturbance created by MMG Mining is unpermitted and not covered by the present amount of reclamation surety.

Location of Mine Site

Disturbances associated with MMG Mining Bald Knoll Mine are located in the NW1/4 of the NW1/4 of Section 16, T40S, R5W, SLBM, Kane County, Utah.

Mitigation Requirements:

1. **Within 60 days (by September 6, 2004), MMG Mining must post a \$16,480 *transitional* reclamation surety and transitional Reclamation Contract** (\$14,840 [4.28 acres active area = \$5,000 x 1 acre and \$3,000 x 3.28 acres], plus \$1,640 [3.28 acres for the inactive area = \$500.00 x 3.28 acres]). This *transitional* surety will remain in place until a LMO application is submitted and approved. The surety amount will be adjusted accordingly, if necessary, upon Division approval of the permit application.
2. Within 90 days (by October 6, 2004), MMG Mining must file an adequately complete Notice of Intention to Conduct Large Mining Operations (FORM MR-LMO enclosed) to include the total disturbed acreage.
3. Until the *transitional* surety is posted and the permit is approved, **MMG Mining must restrict its mining operations to the 4.28 acre disturbed area footprint** as shown on the attached map.
4. **Within 30 days (by August 1, 2004) MMG Mining must mark the boundary of this 4.28 acre area with metal T-posts, or other appropriate markers**, to ensure that operations are not conducted outside of the current disturbed area. The markers must be placed so they can be seen in either direction with the naked eye.

The Division and BLM will accept sureties in the form of Certificates of Deposit, Letters of Credit, Surety Bonds, and Cash. Please be advised that if you post cash as a form of surety, the State Treasurers Office may require additional monies to administer a cash account. When you determine which type of surety you wish to post, please contact Joelle Burns at (801) 538-5291 to obtain the proper forms for filing the surety. You may also download the surety forms over the internet from the Division's web site at www.ogm.ut.gov.

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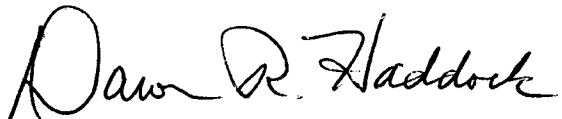
Penalties for Failure to Comply

1. MMG Mining's failure to resolve these issues within the timeframes set forth in this letter will result in the filing of a formal Notice of Violation. This enforcement action could require the operator to appear at an informal hearing before the Division Director, or a formal hearing before the Board of Oil, Gas and Mining. Following public notice and formal hearing, the Board may issue an abatement or compliance Order which may require: immediate suspension or termination of all mining operations until the revised plan is approved; revocation of the existing permit and immediate reclamation of the site; and/or other lawful requirements as authorized under the Act.
2. The Board may also ask the County prosecutor or attorney general to bring suit against the operator to enforce its Orders and to seek assessment of appropriate penalties, not to exceed \$10,000 for each knowing or willful violation of the Act.

If you wish to contest any part of this letter, you may do so within 10 days by contacting the Division to schedule an informal meeting with the Associate Director of Mining and members of the Minerals Program staff. If you choose to arrange an informal meeting, you must contact Vickie Southwick, Executive Secretary, at (801) 538-5304, within 10 days.

If you have any questions regarding the requirements of this letter, please contact me at (801) 538-5325, or Tom Munson at 538-5321. Thank you for your immediate attention to this matter.

Sincerely,



Daron R. Haddock
Permit Supervisor
Minerals Regulatory Program

DRH:TM:jb
Enclosure: 6/9/2004 inspection memo w/map
cc: John Blake, SITLA (ML 46614-CLAY) w/encl
Mary Ann Wright, Associate Director w/encl
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